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Poultry and Products

Annual

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Report Highlights:

Poultry meat production in commercial operations is down by 5 percent. Egyptian trade barriers continue to block sales of both whole birds and chicken parts. Small exports of hatching eggs and parent stock chicks are going to COMESA (East African) countries.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Cairo [EG1], EG

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Production

Traditional poultry production in Egypt is of small scale, consisting of tens of thousands of small farms and accounts for about one sixth of broiler production. Most keep no more than twenty birds, which they raise on locally available grains. Most commercial operations, raise between 10,000 and 25,000 birds per cycle. There are about eight companies of industrial size that have their own feed mills, slaughter and packing facilities. These companies account for about 25 percent of the total broiler production. On average, the typical poultry operation raises between 5-6 cycles over a production cycle of 6-7 weeks.

At the present time, Egyptian producers work with four principal chicken breeds (Arbor Acres, Hubbard, Cubb and Ross). Imports of day-old chicks are banned in Egypt. However, the Ministry of Agriculture assesses the parent stock market, and depending on the outcome, issues import licenses for 50,000 chicks per month. During 2000 total imports of parent stocks is estimated at 500,000 chicks. However, through the second half of 2001, virtually no parent stock imports have occurred. This is primarily due to two reasons; first, import prices increased due to relative weakness in the Egyptian pound against the dollar. Second, there has been a steady increase in the production of parent stocks during the last two years but demand did not keep pace. It is reported that total parent stock production in 2001 is about 6 million chicks, while Egypt's total requirement is estimated between 5 and 5.5 million. Industry sources report that two new parent stock companies will start operating next year in addition to the existing four companies, and overall production will likely increase to a new high. Since the production level of 600,000 MT is the optimal level under which demand could be sustained without loss, parent stocks producers are looking to export some of their production as well as hatching eggs to other countries in the region, particularly to other COMESA countries that offer tariff preferences. However, companies say that lack of infrastructure in COMESA countries and Egyptian government export regulations limit their ability to export. Reportedly, Egyptian exporters have to pay LE 1,600 per shipment for export certificates (Ministry of Agriculture). They also say that documentation and export clearance costs in Egypt are high. Reportedly, these costs run as high as 23 Piasters (5.4 cents) per chick on a shipment of 10,000 chicks to neighboring countries such as Uganda and Ethiopia. Other export destinations include Yemen and Sudan. Also, Egyptian producers have been trying to get into the Libyan market for a number of years, but have not been successful because of concern associated with New Castle disease and Libyan government red tape. The following table shows local production of parent stocks and grandparent stock imports pattern during the last four years:

Year	Local Production (Chick)	G/Parent stocks Imports (Chick)
1998	5,990,000	3,430,000
1999	5,000,000	1,576,800
2000	5,500,000	551,100
2001	6,000,000	130,000

In addition to the existence of relatively poor feed conversion rate of about 2.5 :1, current market conditions in the broiler sector are not strong. Most producers are facing increased import costs, weak prices and widespread

diseases. On Feb 14, 2001 the Ministry of Agriculture issued Decree 206/2001, which requires the imposition of 1% on the value of imports including corn, soybeans, concentrates and medicine. Importers are required to pay this fee when they apply for an import licence. Reportedly, the fee goes to the Poultry Union and are will be used to re-structure the industry and offset financial losses. The Poultry Union currently has 135 member companies. Industry experts also report that several producers are suffering from mal-absorption phenomena which involving multiple viruses that cause immunity suppression. When this condition is present, feed consumption remains unchanged, but the level of nutrition absorption is less than normal. The end result is an economic loss for the producer, since birds gain less weight during the growing cycle. Industry sources estimate that between 5 and 40 % of commercial flocks are affected by this phenomena. Some industry sources estimate that the decline in broiler production is as high as 14% over the previous year's level. However, given the level of parent stock production in the country and relatively steady consumption pattern of poultry along with increased feed imports suggest that the decline in production is not as severe. Ministry of Agriculture estimates that poultry production is increasing by 4 percent in 2001 over the 2000 production level. However, based on trade sources post estimates that poultry meat production for 2001 is expected to be about 5% less than the 2000 level. In contrast, rural production is expected to increase by 25 percent due to increasing demand for the baladi breed, even though there is a price premium of about LE 1/Kg for the local breed. Demand for local breeds is strengthened by rumors that say commercial breeds are fed on imported animal protein and growth hormones. It is reported that several farms currently raise baladi breeds on commercial basis.

Industry experts indicate that, the level of 600,000 MT of poultry production is the optimal level under which demand could be sustained without reducing prices below cost. Inelastic demand is exacerbated by lack of cold stores. There are only 4 modern slaughter houses and very few cold stores currently operating in Egypt. Reportedly, total capacity of both slaughter houses and cold stores can only handle about 25 percent of total production. Most of poultry production is marketed live.

In addition to broiler production, there are about 40,000 MT of old hens, 15 large private sector duck farms producing an estimated 15,000 MT of duck meat and five turkey farms producing about 7,000 MT of turkey meat annually.

Egg production, has been fairly stable in recent years, and is estimated at 3.9 billion for commercial sector and about 1.8 billion for rural baladi production. With 33 million laying hens, of which 15 million of modern 60,000 bird units or multiples of such units. Each laying hen in commercial operation lays about 260 eggs, compared to about 100 eggs for baladi breeds. Imports of layer parent stock during 2001 is estimated at 350,000 baby chicks.

FEED DEMAND

STRATEGIC INDICATOR TABLES FOR (EGYPT)

MEAT PRODUCTION

Calendar Year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Poultry meat (000,MT)	600	570	551	570

COMPOUND FEED SECTOR

Calendar year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Industrial Compound Feed Produced	1.75	1.70	1.65	1.50

(million MT)

FEED GRAIN USE

Marketing year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Corn Domestic Consumption(MMT)	10.28	10.32	10.36	10.40

PROTEIN-ENERGY USAGE

Marketing year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Protein Meal (000 MT)	1125	1353	1465	1500

Soybean Meal	(000 MT)	760	983	950	1000
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TRADE MT

Calendar year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
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Corn

Imports (M MT):	4.34	4.42	4.43	4.45
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Soy Bean Meal

Imports (000 MT)	760	983	1000	1050
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Fish Meal

Imports (000 MT)	37	25	30	35
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Palm Crude Oil

Imports (000 MT)	325	269	300	310
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Prices:

During the first half of 2000, farm gate prices were near break even costs (LE 4.2 Kg). With price increases of imported corn and soybean during the second half of 2000 and first half of 2001, farm gate prices for broilers declined to a level below production cost. In July 2001 farm gate prices for broilers declined to LE 4 per Kg live weight compared to LE 4.4/Kg during the same period in 2000. This decline in broiler prices is mainly attributed to overall weakness in consumer purchasing power which is prevalent in the country.

Prices of corn and soybean meal during the first half of 2000 averaged LE 450 and LE 850 per MT, respectively, compared to LE 500 and LE 1000 per MT in the second half of 2000. Both corn and soybean meal prices increased during the first half of 2001 to LE 560 and LE 1150 per MT, respectively.

Consumption:

Despite consumer preference for red meat, the demand for chicken is strong because of its relatively cheaper prices. However, feed lot production of red meat increased in 2001 while poultry production and consumption fell slightly. Consumers clearly prefer fresh, whole broilers to frozen birds and parts. It is estimated that about 70 percent of chicken production is marketed live (i.e sold and slaughtered in thousands of local poultry shops, and that approximately 30 percent is sold frozen (mainly by the large slaughter houses). Whole birds weighing about 1 kilogram are considered ideal for the Egyptian market. The goal of the Ministry of Agriculture is to increase the percentage of chicken marketed frozen. For reasons of sanitation, both Ministry of Agriculture and Ministry of Environment have issued a decree which prohibits the marketing of live chicken in both Cairo and Alexandria. Most small scale producers take their goods to poultry "stock markets" located in outskirts of large cities such as the Banha market outside Cairo, where a large number of poultry farms are concentrated. Brokers determine market price based on supply and demand. Wholesalers then distribute the live chicken to small retailer shops. The average per capita consumption at the present time is estimated at about 8.6 Kg per year.

A few large companies produce processed products such as cut up or cooked chicken. One company exports a small quantity of chicken nuggets to related fast food franchises in neighboring Arab countries.

There are about 100 MT of processed turkey products (turkey ham, turkey pastrami, smoked turkey) imported by a few tourist hotels in Egypt.

Trade/Customs Duties

There is little trade in consumer-ready poultry products - except for a very small quantity of turkey meat imported and a tiny amount of chicken nuggets exported to related fast food franchises in neighboring Arab countries.

The ban on poultry meat imports for whole birds was lifted in July 1997, but no commercial imports of chicken have taken place since then. This is because the Egyptian government placed an 80 percent tariff (plus additional charges of about 4 percent) on imported frozen poultry and poultry products, based on a minimum reference price of \$1,500/MT FOB. Although an agreement to phase down customs tariffs on poultry was supposed to lead to a reduction from 80 percent to 70 percent on whole birds in 1998 officials from Ministry of Finance (Customs Authority) have stated that customs duty remains at 80 percent as of August 2001. Imports for the Egyptian army fall outside normal restrictions. The army reportedly imported 4,000 MT of frozen poultry from Brazil in 2000 and contracted for 2,000 MT of frozen poultry also from Brazil in 2001 at reduced tariffs.

U.S. Marketing Prospects

It would be very difficult for imported whole birds to be competitive in the Egyptian market with 80 percent or even at 70 percent duty. U.S. chicken legs could be highly competitive, but the Government continues to ban chicken parts due to religious concerns (supposedly due to disagreements with the Halal slaughtering methods used in the United States and/or uncertainty that chicken parts came from birds slaughtered in accordance with Islamic principles). Even in absence of the religious concerns, the Egyptian industry would strongly oppose importation of very low cost chicken legs. There seems to be a possibility for expanding sales of US turkey

meat although the market is tiny relative to chicken.

Even if the high duties on whole birds and the ban on chicken parts, U.S. chicken exports might face a problem with moisture content. The Egyptian specification on the maximum moisture content of frozen poultry is 5 percent, a ridiculously low level that is not enforced . The US poultry industry and the U.S. government continue to explore possibilities for reducing Egyptian trade barriers in poultry.

PSD Table						
Country:	Egypt					

Commodity:	Poultry, Meat, Total					
		2000		2001		2002
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	450	570	600	551	0	570
Beginning Stocks	0	0	0	0	0	0
Production	450	570	600	551	0	570
Whole, Imports	2	4	5	2	0	5
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	2	4	5	2	0	5
TOTAL SUPPLY	452	574	605	553	0	575
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	452	574	605	553	0	575
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	452	574	605	553	0	575
TOTAL Use	452	574	605	553	0	575
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	452	574	605	553	0	575
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

PSD Table						
Country:	Egypt					

Commodity:	Plty, Meat, Chicken -16 wks					
		2000		2001		2002
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	470	470	500	450	0	470
Beginning Stocks	0	0	0	0	0	0
Production	470	470	500	450	0	470
Whole, Imports	2	2	2	4	0	5
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	2	2	2	4	0	5
TOTAL SUPPLY	472	472	502	454	0	475
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	472	472	502	454	0	475
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	472	472	502	454	0	475
TOTAL Use	472	472	502	454	0	475
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	472	472	502	454	0	475
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0